

BOND CLOTHES

BOND STORES, INCORPORATED

ANNUAL REPORT TO STOCKHOLDERS

YEAR ENDED DECEMBER 31, 1940

OFFICERS

BEN J. J. FRIEDMAN	<i>President</i>
BARNEY RUBEN	<i>Vice-President and Treasurer</i>
IRVING COHEN	<i>Vice-President and Secretary</i>
JAMES W. CONNORS	<i>Vice-President</i>
SYLVAN N. KING	<i>Vice-President</i>
LOUIS A. GOOD	<i>Vice-President</i>
CARL F. KLEMENGER	<i>Assistant Secretary</i>

BOARD OF DIRECTORS

BEN J. J. FRIEDMAN	JAMES W. CONNORS
BARNEY RUBEN	HERBERT H. MAASS
IRVING COHEN	JOHN M. HANCOCK
MAURICE WERTHEIM	

BOND STORES ARE LOCATED IN THE FOLLOWING CITIES:

AKRON, OHIO	FLINT, MICH.	OAKLAND, CALIF.
ALBANY, N. Y.	FORT WORTH, TEXAS	PHILADELPHIA, PA.
ATLANTA, GA.	HARRISBURG, PA.	PITTSBURGH, PA.
BALTIMORE, MD.	HARTFORD, CONN.	PROVIDENCE, R. I.
BIRMINGHAM, ALA.	HOUSTON, TEXAS	READING, PA.
BOSTON, MASS.	JERSEY CITY, N. J.	ROCHESTER, N. Y.
BUFFALO, N. Y.	KANSAS CITY, MO.	SAN FRANCISCO, CALIF.
CHICAGO, ILL.	LORAIN, OHIO	SCHENECTADY, N. Y.
(5 stores)	LOS ANGELES, CALIF.	SCRANTON, PA.
CINCINNATI, OHIO	LOUISVILLE, KY.	ST. LOUIS, MO.
CLEVELAND, OHIO	MEMPHIS, TENN.	SYRACUSE, N. Y.
COLUMBUS, OHIO	MILWAUKEE, WISC.	TOLEDO, OHIO
DALLAS, TEXAS	NEWARK, N. J.	TRENTON, N. J.
DAYTON, OHIO	NEW BRUNSWICK, N. J.	WASHINGTON, D. C.
DES MOINES, IOWA	NEW HAVEN, CONN.	WILKES-BARRE, PA.
DETROIT, MICH.	NEW YORK, N. Y.	YOUNGSTOWN, OHIO
(2 stores)	(8 stores)	

Factories in Rochester, N. Y. and New Brunswick, N. J.

BOND STORES, INCORPORATED
261 FIFTH AVENUE
NEW YORK

March 27, 1941.

TO THE STOCKHOLDERS OF

BOND STORES, INCORPORATED:

Herewith are transmitted to you statements showing the financial condition of the Company as at December 31, 1940, and the results of operations for the year then ended.

1940 sales aggregated \$32,444,508.54 (inclusive of haberdashery), as compared with \$24,588,574.35 for the year 1939. Net profits for 1940 amounted to \$2,690,553.08, compared with \$2,643,552.38 for the year 1939. 1940 profits do not reflect in proportion to the increase in sales volume because of higher taxes and increased operating expenses. As additional increases in taxes and operating expenses are anticipated during 1941, it is hoped that these will be met by a further increase in sales volume. Sales of \$4,390,442.30 for the first two months of the current year 1941 exceeded those for the same period last year by 31.3%.

The increase in sales reflects the enthusiastic reception by the public of the Company's merchandise, and indicates now more than ever that "more men wear Bond Clothes than any other clothes in America." Sales of the haberdashery departments, which, as reported to stockholders last year, were taken over by the Company at the end of January, 1940, were \$2,833,221.54 for the period of approximately eleven months of Company operation, as compared with \$1,804,394.63 for the full year 1939 during which these departments were operated by lessees. This increase is in part attributable to an increase in the number of these departments, but more largely to improvement in the character and value of the merchandise offered. Your management is gratified with this showing, and is of the opinion that they have contributed to the increase achieved in the sales of other merchandise.

On December 4, 1940 the Company opened the largest men's clothing store in America, located at Broadway and 45th Street, New York City, and expended a substantial amount to equip this unit and make it a most outstanding and modern establishment. This store consists of part of the ground floor and basement and all of the second and third floors of the premises situated on the east side of Broadway, between 44th and 45th Streets, and was acquired to take the place of the store located at Broadway and 46th Street, the lease of which expires this spring. The operations of the new store have been most gratifying.

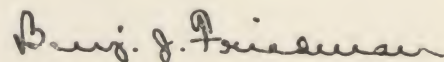
The only means of securing the new unit at Broadway and 45th Street was through purchase of the entire building in which the Company's store is located. Accordingly, Adda, Inc., a New York corporation, was organized as a wholly owned subsidiary of the Company to purchase the property and, as owner, leased to this Company for a term expiring on October 31, 1961 the space which it occupies. The remainder of the building is leased to other tenants.

During 1940 the Company rebuilt and modernized the Trenton, N. J., store, the cost of which was substantially paid for by the landlords. In the fall of 1940 a new unit was opened in the City of Houston, Texas. At the present time 59 stores are in operation, as compared with 58 a year ago.

On December 18, 1940 the Company borrowed from The Equitable Life Assurance Society of the United States the sum of \$3,000,000, repayable in ten equal annual amounts, commencing on November 30, 1941, with interest at rates averaging 2.45% per annum. The proceeds of the loan were used to pay off loans payable to banks and others, which amounted to \$2,050,000 at the time of receiving the funds, and the remainder, after the payment of expenses, is being used as additional working capital.

As a mark of appreciation of the efficiency of the entire personnel of the organization the Company distributed the largest year-end bonus in the history of its business, amounting to approximately \$448,000. As in the past, all employees other than the President and Senior Vice-President participated in the distribution. Your management again wishes to acknowledge gratefully the splendid cooperation of the Company's employees and express the hope that future conditions will warrant the continuance of the Company's bonus policy.

By order of the Board of Directors,


President.

BOND STORES,

BALANCE SHEET AS

ASSETS

Current Assets:

Cash on hand and in banks		\$1,012,549.03
Accounts Receivable—Customers	\$5,073,042.41	
Less: Reserve for doubtful accounts	499,177.67	4,573,864.74
Miscellaneous accounts receivable, sales tax stamps, etc.		47,744.67
Merchandise Inventories—at or below the lower of cost or market:		
Woolens, trimmings, etc.	1,385,573.59	
Work in process	858,494.75	
Finished goods	5,974,908.93	8,218,977.27
Cash surrender value—officers' life insurance policies—Note A		119,902.44
Total Current Assets		<u>\$13,973,038.15</u>
Due from employees, less reserve		24,421.85
Due from employees for purchase of 725 shares of stock of the corporation, which stock is held as collateral for the unpaid balance		12,030.75
Deposits, advances, claims receivable, etc.		17,816.26
Investment in securities of and advances to wholly-owned subsidiary company (not consolidated), less reserve		128,314.53

Fixed Assets—at Cost:

Land and buildings	\$1,341,324.95	
Machinery, furniture, fixtures and equipment	1,992,906.15	
	<u>\$3,334,231.10</u>	
Less: Reserve for depreciation	582,906.39	\$2,751,324.71
Alterations and improvements	<u>\$ 960,694.52</u>	
Less: Reserve for amortization	293,864.95	666,829.57
Total Fixed Assets		3,418,154.28
Leaseholds—per books, less reserve for amortization		2,608.00

Deferred Charges:

Prepaid rent and advances to landlords on improvements to leased properties	\$ 410,125.38	
Unexpired insurance and prepaid expenses	113,205.96	523,331.34
		<u><u>\$18,099,715.16</u></u>

The Notes to Accounts are an integral part of this

INCORPORATED

AT DECEMBER 31, 1940

LIABILITIES

Current Liabilities:

Serial notes payable—current installment	\$ 300,000.00
Accounts payable—merchandise and expense creditors	804,886.48
Accounts payable—leased departments	73,409.21
Customers' and employees' deposits	19,429.25
Accrued salaries, miscellaneous taxes and expenses	785,303.75
Reserve for Federal income and excess profits taxes	1,405,000.00
Total Current Liabilities	<u>\$3,388,028.69</u>

Serial Notes—Equitable Life Assurance Society of the United States,
payable in annual installments of \$300,000.00 commencing

November 30, 1941	\$3,000,000.00	
Less: Current installment shown above	<u>300,000.00</u>	2,700,000.00
Total Liabilities		<u>\$6,088,028.69</u>

Capital Stock:

Common Stock—par value \$1.00 per share:

Authorized—1,000,000 shares

Issued—701,497 shares 701,497.00

Capital Surplus (Note B)—per Account No. 2 6,435,713.42

Earned Surplus (Note B)—per Account No. 2 4,874,476.05

\$18,099,715.16

statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
STATEMENT OF SURPLUS ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1940

Capital Surplus:

Balance, January 1, 1940	\$6,433,612.38
Add: Adjustment of Federal income tax for prior years	<u>2,101.04</u>
Balance, December 31, 1940	<u>\$6,435,713.42</u>

Earned Surplus:

Balance, January 1, 1940	\$3,581,186.13
Add:	
Net income for the year ended December 31, 1940, per Account No. 3	2,690,553.08

Adjustment of Federal income tax for prior years	5,730.84
	<u>\$6,277,470.05</u>

Deduct:

Dividends paid at \$2.00 per share	<u>1,402,994.00</u>
Balance, December 31, 1940, per Account No. 1	<u>\$4,874,476.05</u>

The Notes to Accounts are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED

STATEMENT OF INCOME AND PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1940

Sales, exclusive of leased departments		\$32,444,508.54
Cost of goods sold		<u>18,021,153.41</u>
Gross profit on sales		\$14,423,355.13
Deduct:		
Stores and general and administrative expenses	\$10,404,103.48	
Depreciation	163,581.13	
Amortization	73,401.70	
Loss of wholly-owned subsidiary company (not consolidated), representing the depreciation charge for the period	<u>23,185.47</u>	<u>10,664,271.78</u>
		\$3,759,083.35
Add:		
Other income		<u>371,469.73</u>
Net income before provision for Federal income and excess profits taxes		\$4,130,553.08
Less:		
Provision for Federal normal income tax	\$ 998,000.00	
Provision for Federal excess profits tax	<u>442,000.00</u>	<u>1,440,000.00</u>
Net income for the period—Account No. 2		<u><u>\$2,690,553.08</u></u>

The Notes to Accounts are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED

NOTES TO ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 1940

NOTE A: The corporation is the beneficiary under life insurance policies on the lives of two officers. Under agreement with the corporation, the insured may change the beneficiary at any time, provided the amount of the cash surrender value at date of such change is paid to the corporation.

NOTE B: Under the terms of the Notes aggregating \$3,000,000.00 evidencing the Company's indebtedness to The Equitable Life Assurance Society of the United States, \$9,830,076.79 of the capital surplus and earned surplus which aggregated \$11,310,189.47, as at December 31, 1940, cannot be used for the payment of dividends (other than dividends payable in stock of the Company) on, or other distributions in respect of, or the purchase, redemption or other retirement of, Capital Stock.

GENERAL: The Company has commitments for raw materials at prices below the current market, which substantially anticipate its requirements for the year 1941.

The accompanying statements are subject to final determination of the liability for Federal income taxes.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED
New York, N. Y.

We have examined the balance sheet of the Bond Stores, Incorporated, as at December 31, 1940, and the statements of income and profit and loss and surplus for the year then ended; have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and profit and loss and surplus, together with the Notes to Accounts, present fairly the position of the Bond Stores, Incorporated, at December 31, 1940, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y., March 12, 1941.